



Brasilia, October 27, 2023

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD, UK

**REF: Request for Information - Post-implementation Review IFRS 15 *Revenue from Contracts with Customers***

**Dear members of the Foundation:**

The “Group of Latin American Accounting Standard Setters”<sup>1</sup> – GLASS welcomes the opportunity to comment on the **Request for Information - Post-implementation Review IFRS 15 *Revenue from Contracts with Customers* (the RFI)**.

This response includes the comments obtained by the members of the different countries that comprise GLASS, pursuant to the following due process.

**Due process**

The discussions regarding the RFI were held within a specified Technical Working Group (TWG) created in July 2023. All country members had the opportunity to designate at least one member to participate in this TWG. Each standard setter represented in the TWG carried out different tasks in their respective countries (for example, meetings, forums, surveys, internal working groups. All results were compiled and this summary was the basis of the TWG discussion process

The TWG discussed the different points of view in the virtual meetings and included a summary through emails exchanged between its members, produced a final document based on the agreed answers and the technical points of view of its members, which was presented to, discussed with and approved by the GLASS Board.

**Overall comments**

GLASS concludes that with the application of IFRS 15, *Revenue from Contracts with Customers*, its objective has been achieved, providing a clear and coherent guide for the accounting of income from contracts with customers, and the region is of the opinion that IFRS 15 does not contain fatal flaws for the purpose it pursues.

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<sup>1</sup> The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and ISSB, and to generate proposals originated from the regional initiatives. Therefore, GLASS aims to have a unified regional opinion before the IASB and ISSB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Chairman), Chile (Board), Colombia (Vice Chairman), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



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In some matters we have detected opportunities for improvements to guide preparers of financial information, without this necessarily implying that the standard must be evaluated for a potential modification. We have detailed such opportunities for improvements in our attached responses, along with the suggestions associated with each topic.

### **Specific comments**

Attached please find our specific responses to the questions presented in the RFI.

### **Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,

A handwritten signature in black ink, appearing to read 'José Luiz Ribeiro de Carvalho'.

**José Luiz Ribeiro de Carvalho**  
**Chairman**

**Group of Latin American Accounting Standard Setters (GLASS)**

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**Question 1—Overall assessment of IFRS 15**

**(a) In your view, has IFRS 15 achieved its objective? Why or why not?**

Please explain whether the core principle and the supporting five-step revenue recognition model provide a clear and suitable basis for revenue accounting decisions that result in useful information about an entity's revenue from contracts with customers.

If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core principle or the five-step revenue recognition model.

**(b) Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:**

- i. in developing future Standards; or
- ii. in assessing whether, and if so how, it could improve the understandability of IFRS 15 without changing its requirements or causing significant cost and disruption to entities already applying the Standard—for example, by providing educational materials or flowcharts explaining the links between the requirements?

**(c) What are the ongoing costs and benefits of applying the requirements in IFRS 15 and how significant are they?**

If, in your view, the ongoing costs of applying IFRS 15 are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain why you hold this view.

These questions aim to help the IASB understand respondents' overall views and experiences relating to IFRS 15. Sections 2–9 seek more detailed information on specific requirements.

**GLASS Responses**

**Answer (a)**

Yes, IFRS 15 has largely achieved its objective of providing a clear and consistent framework for the recognition of revenue derived from contracts with customers. Therefore, we did not identify fatal flaws in its content that cause complications in the application of the standard.

Improvement opportunities

We have observed some situations with the application of step two (2) *Identification of performance obligations*, in the real estate sector, the aircraft manufacturing industry, companies in the electric energy sector and the telecommunications sector.

In the case of revenues from public concession contracts, due to the very special characteristics of these operations, special treatment or guidance is required.

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We explain the situations raised in the previous paragraphs in greater detail in the answers to the specific questions.

**Answer (b)**

We consider it necessary to develop guides, illustrative examples and educational materials that address situations regarding the applicability of the 5-step model of IFRS 15 for oral contracts or obligations arising from business practices that are not written and therefore not necessarily supported by legal documentation, as well as for concession contracts.

Another concern is related to entities dedicated to cargo transportation services via a contract that is signed with an entity and the provision of services involves the participation of its subsidiaries. Given this, it is suggested that paragraphs B34 to B38 of Appendix B of the Standard Application Guide be clarified with guides in this regard. These measures could help users better understand the requirements of the standard and its practical application.

**Answer (c)**

Once IFRS 15 is implemented, entities maintain ongoing costs to ensure compliance with the requirements; these include gathering and processing additional information, making accounting estimates and judgments, and properly documenting accounting policies and procedures.

Regarding the benefits that IFRS 15 has provided for financial information, we can say that it has been the transparent and comparable inclusion of the entities' revenues. This has benefited users of financial statements by providing them with a better understanding of the nature, amount, timing and uncertainty of revenues generated by the entity.

As to whether the current costs of applying IFRS 15 are significantly higher than anticipated or whether the benefits of the resulting information are significantly lower than anticipated, the perception of greater usefulness of the information depends on several factors, such as the complexity of the contracts and the industry in which the entity operates. We have not detected cases in which the costs of implementing the standard exceed its benefits.

**Question 2—Identifying performance obligations in a contract**

**(a) Does IFRS 15 provide a clear and sufficient basis to identify performance obligations in a contract? If not, why not?**

Please describe fact patterns in which the requirements:

- (i) are unclear or are applied inconsistently;
- (ii) lead to outcomes that in your view do not reflect the underlying economic substance of the contract; or
- (iii) lead to significant ongoing costs.

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If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

**(b) Do you have any suggestions for resolving the matters you have identified?**

### GLASS Responses

#### Answer (a)

In general, we believe that IFRS 15 provides a clear and sufficient basis for identifying performance obligations in a contract, such that they reflect the underlying economic substance of the contract.

Nevertheless, in practice it is observed that there may be difficulties in identifying compliance obligations, in the following cases:

1. Contracts that are not properly documented;
2. Contracts signed in the real estate industry and the aircraft manufacturing industry;
3. In the case of the electricity sector, in the application of paragraphs 26 to 29 of IFRS 15, regarding the identification of distinct goods or services;
4. In the telecommunications sector contracts are signed with multiple performance obligations, with challenges to identify and control each one separately; in this case, the costs of applying the requirements of IFRS 15 are significant, and additional specific guidelines related to relevance and materiality could reduce the efforts and costs in the implementation and application of the standard.

#### Answer (b)

Some suggestions that we put forward to resolve the issues identified are listed below:

1. Define guides or parameters to specify the application of the revenue standard in the case of agreements with customers that are negotiated orally or by business practice;
2. We suggest incorporating more details or examples in paragraphs 26 to 29 to identify the performance obligations as distinct goods or services in some contracts.

### Question 3—Determining the transaction price

**(a) Does IFRS 15 provide a clear and sufficient basis to determine the transaction price in a contract—in particular, in relation to accounting for consideration payable to a customer? If not, why not?**

Please describe fact patterns in which the requirements on how to account for incentives paid by an agent to the end customer or for negative net consideration from a contract (see Spotlight 3) are unclear or are applied inconsistently.



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If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

**(b) Do you have any suggestions for resolving the matters you have identified?**

### GLASS Responses

#### Answer (a)

Yes, IFRS 15 provides a clear and sufficient basis for determining the transaction price in a contract, including the accounting for the consideration payable to a customer; however, the application of variable consideration is complex and leads to multiple practices, which may undermine comparability.

In the case of public service concessions, when a company receives assets to operate and maintain in a government-authorized concession, we suggest guidance on allocating revenue to the corresponding performance obligation.

#### Answer (b)

No specific suggestions but development of additional guidance and examples addressing aspects to minimize diversity in practice for variable consideration and on allocation of revenue on government concessions.

### Question 4—Determining when to recognize revenue

**(a) Does IFRS 15 provide a clear and sufficient basis to determine when to recognize revenue? If not, why not?**

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the criteria for recognizing revenue over time (see Spotlight 4).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

**(b) Do you have any suggestions for resolving the matters you have identified?**



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**GLASS Responses**

**Answer (a)**

Yes, IFRS 15 clearly details the recognition of revenue from ordinary activities; however, aspects related to the timing to recognize revenues associated with concession contracts completed in stages are not contemplated.

**Answer (b)**

We suggest that additional guidance be included containing specific examples on the recognition of revenue associated with concession contracts at each stage of the concession. The inclusion of practical examples would help clarify and improve the application of the standard in complex situations such as these.

**Question 5—Principal versus agent considerations**

**(a) Does IFRS 15 provide a clear and sufficient basis to determine whether an entity is a principal or an agent? If not, why not?**

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the concept of control and related indicators (see Spotlight 5).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

**(b) Do you have any suggestions for resolving the matters you have identified?**

**GLASS Responses**

**Answer (a)**

Yes, IFRS 15 provides a clear and sufficient basis for determining whether an entity is a principal or an agent; however, in agreements signed with an entity that is a controlling entity and whose service is provided jointly with its subsidiaries, we suggest including guidance to determine who acts as agent or as principal.

For the real estate and aircraft manufacturing industries, the concept of control and its transfer, as set out in paragraphs 33 and 35, does not conform to the concept of control applied in practice in such sectors. For market information purposes revenue is recognized in accordance with the POC - Percentage of Completion method whereas for IFRS purposes revenue is recognized upon completion and delivery of the construction or product. The POC method is not applied for IFRS purposes considering the interpretation from legislation that the risk of transfer

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of ownership is relevant during the construction phase. However, the risk of the constructor to deliver the product is not considered during the construction, even if it is minimal. We believe this is an improvement that should be addressed in order to improve application of IFRS 15.

The importance of reviewing these topics lies in their complexity and their relevance to current business operations, which may require greater guidance and clarity from the IASB.

**Answer (b)**

Regarding the aforementioned matter, in addition to the need for a review of the standard as mentioned above, we suggest including additional guidance and practical cases including what is written below.

**Complementary guides:** Guidance on control indicators.

**Practice documents:** Decision trees to better represent where control is related to principal or agent.

**Additional practical cases in Part B of the IFRS:** Construction and services, where a greater number of situations are identified.

In the real estate and aircraft manufacturing industries, the concept of control and its transfer, as established in paragraphs 33 and 35, could be revisited and complemented with the concept of control applied in practice, considered by the market and investors, resulting in useful information for users of the financial statements.

**Question 6—Licensing**

**(a) Does IFRS 15 provide a clear and sufficient basis for accounting for contracts involving licenses? If not, why not?**

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to matters described in Spotlight 6.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

**(b) Do you have any suggestions for resolving the matters you have identified?**

**GLASS Responses**

**Answer (a)**

In general, IFRS 15 provides a clear and sufficient basis for accounting for contracts involving licenses.

Improvement opportunities



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Expand definitions for application in industries where licensing requires greater judgment in the application of the standard.

**Answer (b)**

It is proposed that documents be established as a practical guide or appendix to the licensing guidance in IFRS 15 focusing on the most relevant industries such as software, entertainment, telecommunications, among others, defining the concepts of "license", "right of use", "right of access", "control over an identifiable asset", and including practical examples.

**Question 7—Disclosure requirements**

**(a) Do the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements? Why or why not?**

Please identify any disclosures that are particularly useful to users of financial statements and explain why. Please also identify any disclosures that do not provide useful information and explain why the information is not useful.

**(b) Do any disclosure requirements in IFRS 15 give rise to significant ongoing costs?**

Please explain why meeting the requirements is costly and whether the costs are likely to remain high over the long term.

**(c) Have you observed significant variation in the quality of disclosed revenue information? If so, what in your view causes such variation and what steps, if any, could the IASB take to improve the quality of the information provided?**

**GLASS Responses**

**Answer (a)**

Yes, the disclosure requirements of IFRS 15 are designed to provide useful information to users of financial statements. This statement is based on aspects such as transparency, breakdown of revenues, information on contracts and information on estimates.

**Answer (b)**

We suggest reviewing the disclosure requirements in paragraph 120 of IFRS 15 under "Transaction price allocated to the remaining performance obligations" and paragraph 126 under "Determining the transaction price and the amounts allocated to performance obligations", since they generate significant ongoing costs as they require entities to provide additional explanations about assumptions that may not be entirely accurate.

**Answer (c)**

Yes, we have observed significant variations in the quality of revenue disclosures in financial statements, by establishing in IFRS 15 qualitative and quantitative requirements that provide more useful information to users of financial information.

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**Question 8—Transition requirements**

**(a) Did the transition requirements work as the IASB intended? Why or why not?**

Please explain:

- (i) whether entities applied the modified retrospective method or the practical records and why; and
- (ii) whether the transition requirements in IFRS 15 achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.

**GLASS Response**

Yes, especially with the use of the modified retrospective method in the initial application of IFRS 15, which represented a decrease in cost and effort for the reporting entity.

**Question 9—Applying IFRS 15 with other IFRS Accounting Standards**

**(a) Is it clear how to apply the requirements in IFRS 15 with the requirements in other IFRS Accounting Standards? If not, why not?**

Please describe and provide supporting evidence about fact patterns in which it is unclear how to apply IFRS 15 with the requirements of other IFRS Accounting Standards, how pervasive the fact patterns are, what causes the ambiguity and how that ambiguity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. The IASB is particularly interested in your experience with the matters described in Spotlights 9.1–9.3.

**(b) Do you have any suggestions for resolving the matters you have identified?**

**GLASS Responses**

**Answer (a)**

Yes, overall, the requirements of IFRS 15 are clear in their joint application with the requirements of other IFRS standards.

**Answer (b)**

We have no additional suggestions.

**Question 10—Convergence with Topic 606**

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**(a) How important is retaining the current level of convergence between IFRS 15 and Topic 606 to you and why?**

**GLASS Response**

In our opinion, it is important to maintain the current level of convergence between IFRS 15 and Topic 606 since this represents progress in the uniformity of the presentation of global financial information, promoting comparability, coherence and a true view of the financial statements in both accounting frameworks; likewise, maintaining the aforementioned convergence is important because it:

- allows comparability between companies that apply IFRS or US GAAP;
- avoids confusion and additional costs due to divergent principles;
- facilitates the presentation and reading of financial information for multinationals that report under both standards.

**Question 11—Other matters**

**(a) Are there any further matters that you think the IASB should examine as part of the post-implementation review of IFRS 15? If yes, what are those matters and why should they be examined?**

Please explain why those matters should be considered in the context of this post-implementation review and the pervasiveness of any matter raised.

Please provide examples and supporting evidence.

**GLASS Response**

Below are other situations that we consider should be subject to analysis by the IASB:

- 1- **Clarity on non-cash payments:** IFRS 15 should provide a clear and sufficient basis to determine the treatment of non-cash payments, which are not defined at the time of measurement. Although we do not see this compromising the general clarity of the standard in relation to the determination of the transaction price, it is relevant in the development of some practices. This suggestion could improve the applicability and understandability of IFRS 15 in specific situations, without undermining the general perception that the standard is clear and sufficient in its approach to determining the transaction price in contracts.
- 2- **Verbally approved contracts:** Reinforcement of evaluation judgments and actions to follow for the identification of the contract (or contracts) with the customer, especially



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when the parties to the contract have approved the contract verbally or in accordance with other usual business practices and promise to comply with their respective obligations.

- 3- **Contracts entered into at the same time:** Greater clarity is required on how to evaluate whether two or more contracts were entered into “at approximately the same time”, since in industries such as construction it is common for multiple contracts to be signed for different components of the same project (civil works, engineering, procurement, various phases, etc.), and that the period that elapses between the signing of said contracts can be months or even exceed a year (for operational or budgetary convenience, not all contracts are signed at the same time, even though in essence the intention has always been to carry out the entire project).
- 4- **Service concession contract:** We suggest a review of IFRIC 12 to align with the content of IFRS 15, including the use of illustrative examples and flow charts.

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